



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: GP Taurio, Inc.

File: B-222564

Date: July 22, 1986

DIGEST

1. Under request for proposals which contemplates award of cost-reimbursement contract, contracting agency properly may use ratio comparison method of evaluating cost proposals--under which the offeror with the lowest cost after adjustment for realism receives the maximum number of points and other offerors receive a portion of the maximum points relative to the difference between their adjusted costs and the lowest cost offer--since there is no risk of distorting the relative weight assigned to cost in the RFP which otherwise could result from including unrealistic cost proposals in the point spread.
2. Where cost-reimbursement contract is to be awarded, contracting agency properly evaluated proposals based on agency's cost realism analysis rather than offerors' estimated costs.
3. Where technical proposals are found to be essentially equal, contracting agency properly made award to the offeror with the lowest adjusted cost.
4. Contracting agency properly made award based on initial proposals without discussions where record supports reasonableness of awardee's proposed cost and solicitation advised offerors that award might be made without discussions.
5. In procurement for services where technical quality depends principally on program management and personnel capabilities, disparity between awardee's proposed costs and costs adjusted for realism does not necessarily detract from the quality of its technical proposal where the disparity is due principally to the awardee's failure to include all costs for required materials. Understatement of costs was not significant for evaluation purposes in any event, since evaluation was based on adjusted, not proposed, costs.
6. Protester's contention that awardee cannot perform in accordance with solicitation requirements constitutes a challenge to agency's determination that the awardee is a responsible offeror, a determination General Accounting Office (GAO) generally does not review. Similarly, contention that awardee will not comply with its contractual obligations involves a matter of contract administration which is not reviewed by GAO.

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DECISION

GP Taurio, Inc., protests the award of a cost-plus-fixed-fee contract to Systems Engineering Associates Corporation (Seacor) under request for proposals (RFP) No. N61339-86-R-0013, issued by the Navy for spare parts and support equipment acquisition support. The protester principally challenges the Navy's application of the RFP's evaluation criteria. We deny the protest.

The RFP, issued on November 26, 1985, was for spare parts and support equipment acquisition support for 1 base year and 2 option years. The RFP contained an estimate of the level of effort required, specifying the number of workhours by category for seven labor categories for each of the 3 years covered by the RFP. The RFP called for both a technical proposal describing how the offeror proposed to meet the requirements in the RFP and a cost proposal listing the offeror's estimate of costs required to perform the work as proposed. The cost proposal was to be broken down by category into direct labor costs, other direct costs, indirect costs (including overhead and general and administrative expenses) and travel.

Section M3 of the RFP set out the evaluation scheme and provided in pertinent part as follows:

"Selection of the successful offeror will be made on the basis of price and other factors considered. Therefore, award may not necessarily be made to the offeror submitting the lowest price. Other factors will be weighted approximately twice as much as price (cost-plus fixed fee)."

With regard to cost proposals, section M3 provided:

"2. Evaluated Estimated Price

Price will be evaluated to assure cost realism and price reasonableness. Price to be evaluated will include costs of material, labor, overhead, general and administrative expenses, travel and subsistence, fee, and any miscellaneous cost items. The cost or price proposal will be evaluated on the overall cost realism exhibited in the proposal. Cost realism pertains to the offeror's ability to project costs which are reasonable and which indicate the offeror's understanding of the nature and scope of the work to be performed. The Government considers that a fully justified and realistic proposal is of paramount importance in evaluating proposals. Any proposal lacking these attributes, regardless of its relative position

with other proposals, will be considered to be lacking realism and may result in a higher evaluated price.

"3. The Government reserves the right to make award without discussions."

Twelve offerors submitted initial proposals by the due date of January 16, 1986.^{1/} The Navy then evaluated the technical proposals, finding three offerors, including Seacor and Taurio, fully acceptable; eight offerors "marginally acceptable"; and one offeror unacceptable. Seacor received a perfect technical score (625 points); Taurio received the next highest score (615 points). The Navy regarded Seacor and Taurio as essentially equal based on the closeness of their technical scores.

A cost realism evaluation then was performed on the 11 proposals found fully or marginally acceptable. The Navy asked the Defense Contract Audit Agency to verify the offerors' proposed direct labor and burden rates. With regard to the materials category, the Navy prepared its own estimate of required materials costs and compared it with the offerors' proposed costs. Based on this evaluation, the offerors' proposed costs were either increased or reduced to reflect what the Navy considered to be realistic costs for each offeror's proposal. Seacor's evaluated costs were found to total \$1,530,049, an increase of \$266,365 over its proposed costs (\$1,263,684). Taurio's evaluated costs were \$1,782,773, a decrease of \$66,936 from its proposed costs (\$1,849,709).

The Navy then scored the offerors' cost proposals based on the offerors' evaluated costs rather than their proposed costs. The Navy used a ratio comparison method to score the offerors, with the full number of points (325) awarded to the offeror with the lowest evaluated cost; the other offerors then received a portion of the total points based on the relative difference between their evaluated costs and the offeror with the lowest evaluated cost. Seacor had the lowest evaluated cost and received the full 325 points; Taurio, with the third lowest evaluated cost, received 279 points.

^{1/} A subsequent amendment to the RFP issued on April 7 incorporated a wage determination and the contract administration plan and required offerors to submit copies of their subcontracting plans. Any changes to proposals due to the amendment were to be submitted by April 18. Only Seacor submitted a revised proposal, changing one labor category as a result of the wage determination. This amendment and Seacor's response are not at issue in the protest.

The offerors' technical and cost scores then were added to arrive at a total score on which award was based. Seacor's and Taurio's total scores were as follows:

	<u>Seacor</u>	<u>Taurio</u>
Technical proposal (625 total)	625	615
Cost* (325 total)	<u>325</u> 950	<u>279</u> 894
*Proposed cost	\$1,263,684	\$1,849,709
Evaluated cost	\$1,530,049	\$1,782,773

Seacor was the only offeror which received full points for both its technical proposal and evaluated cost. Based on its highest total score, Seacor was selected for award. Taurio received the second highest total score.

Taurio's principal contention is that the Navy overemphasized the importance of cost in the evaluation, contrary to the evaluation scheme in the RFP. According to Taurio, the ratio comparison method the Navy used rewards the offeror with the lowest cost regardless of the merits of the offeror's technical proposal and without considering whether the proposed cost reasonably reflects the actual cost of performing. This procedure, Taurio argues, unduly emphasizes the offerors' cost proposals and thus is inconsistent with the evaluation criteria in the RFP which give technical factors approximately twice as much weight as cost. We disagree.

Contracting agencies have broad discretion in choosing among the many acceptable proposal evaluation methods; the only requirements are that the method provide a reasonable basis for source selection and that the evaluation itself be conducted in good faith and in accordance with the criteria in the solicitation. Francis & Jackson, Associates, 57 Comp. Gen. 244, 248 (1978), 78-1 CPD ¶ 79. In evaluating price or cost proposals, agencies often use the ratio comparison method chosen by the Navy in this case, under which the lowest offer receives the maximum possible point score. Id. at 249. We have questioned the use of the ratio comparison method in cases where it would produce a misleading result and be inconsistent with the relative weights assigned to the evaluation criteria. Specifically, it would be inappropriate to use the method where the offers being evaluated include some which have no reasonable chance of being selected for award but are significantly lower priced than the other offers. In these circumstances, including an unreasonably low price could distort the evaluation. See First Ann Arbor Corp., B-194519, Mar. 4, 1980, 80-1 CPD ¶ 170. Similarly, including a very high priced offer can result in "bunching" the scores of the other, more realistically priced offers, in effect improperly reducing or eliminating price as an evaluation factor. See Umpqua Research Co., B-199014, Apr. 3, 1981, 81-1 CPD ¶ 254.

We find no basis on which to object to the Navy's use of the ratio comparison method in this case, since there is no indication that it distorted the evaluation. Taurio objects to Seacor's cost proposal as a "low ball" offer, implying that Seacor's proposal significantly understated its cost of performance. What Taurio ignores, however, is that the Navy's evaluation of the offerors' costs was based not on their proposed costs, but on those costs as adjusted for realism. Since all the offerors' proposed costs were adjusted to reflect the Navy's best estimate of the actual costs of performance, there was no risk of distortion by an unrealistically high or low cost proposal.

Taurio objects to the Navy's reliance on evaluated costs, arguing that it improperly diminishes the importance of the offerors' cost proposals. Because the RFP contemplates award of a cost-reimbursement contract, the Navy is required to analyze each offeror's proposed costs in terms of their realism, since, regardless of the costs proposed by the offeror, the government is bound to pay the contractor its actual and allowable costs. Advanced Technology Systems, Inc., 64 Comp. Gen. 344, 345-346 (1985), 85-1 CPD ¶ 315. Accordingly, the offerors' estimated costs of contract performance should not be considered as controlling since the estimates may not provide valid indications of final actual costs. See Federal Acquisition Regulation (FAR), 48 C.F.R. § 15.605(d) (1985). Thus, we see no basis on which to object to the Navy's use of cost as adjusted for realism in the evaluation.

Taurio also asserts that award was made to Seacor based on its low cost rather than on the merits of the technical proposal as required by the RFP. We find this argument to be without merit. The relative weights of the technical and cost factors set out in the RFP were maintained in the point-scoring plan used by the Navy; technical proposals were scored on the basis of 625 points, approximately twice as much as the 325 total points assigned to cost. Cost became the determinative factor only once the Navy found that Taurio and Seacor were essentially equal technically. Where proposals are found technically equal, the agency should make award to the lower cost offeror in the absence of specific justification for awarding to the higher cost offeror, regardless of the weight given to cost in the evaluation scheme. Ecology and Environment, Inc., B-209516, Aug. 23, 1983, 83-2 CPD ¶ 229. Thus, once the Navy found Taurio and Seacor technically equal, the Navy properly awarded the contract to Seacor, the lower cost offeror.

Taurio argues that instead of awarding on the basis of lowest cost, the Navy should have conducted discussions to determine more precisely the difference in technical merit between Seacor's and Taurio's proposals and then made award based on these technical considerations.^{2/} We do not agree that discussions were required. In negotiated procurements, award

^{2/} In its initial submission, Taurio also alleged that the Navy improperly had conducted discussions with only some offerors. Taurio did not pursue this argument in its subsequent submission. In any event, the allegation was based on speculation only and was unsupported by any evidence.

may be made without discussions where the record supports the existence of full and open competition or there is accurate prior cost experience with the product or service to ensure that award without discussions will result in the lowest overall cost to the government, and the solicitation advises offerors of the possibility that award may be made without discussions. FAR, 48 C.F.R. § 15.610(a); Robert E. Derecktor of Rhode Island, Inc., et al., B-211922, et al., Feb. 2, 1984, 84-1 CPD ¶ 140.

Here, the record supports the reasonableness of Seacor's costs, since Seacor's evaluated costs (\$1.53 million) were close to the Navy's own estimated costs (\$1.575 million) and were the lowest of the 11 offers evaluated. Further, section M3(3) of the RFP notified the offerors that award might be made without discussions. As a result, we find that the Navy's decision to make award without discussions was reasonable.

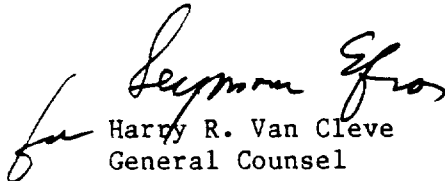
Taurio argues that the Navy's decision to award Seacor a perfect score for its technical proposal was unwarranted in light of the disparity between Seacor's proposed costs (\$1.264 million) and its evaluated costs (\$1.53 million). Taurio contends that since Seacor's proposed costs were found to be understated, Seacor was not actually offering the technical quality promised in its proposal. We disagree. Our examination of the Navy's cost realism analysis shows that the disparity between Seacor's proposed and evaluated costs was due primarily to Seacor's failure to include all costs for materials; accordingly, the Navy increased Seacor's costs based on the Navy's own estimate of required materials costs. Since the procurement is for services, with quality related principally to an offeror's program management and personnel capabilities, see section M3(1) of the RFP, Seacor's failure to include all the required costs for materials in our view does not necessarily detract from the quality of its technical proposal. See Raytheon Support Services Co., B-219389.2, Oct. 31, 1985, 85-2 CPD ¶ 495 (agency reasonably may find that an offeror with a good understanding of the work requirements nevertheless is proposing costs below what the required efforts likely will cost). In any event, the fact that Seacor's costs were found to be understated was not significant for evaluation purposes since the Navy's cost realism analysis ensured that the evaluation would be based on realistic, not proposed, costs.

Taurio also argues that Seacor's proposal was inferior because its costs were significantly lower than those of Taurio, the incumbent contractor. We see no reason to regard Taurio's costs as the standard against which other offerors' costs should be measured. In fact, the difference between Taurio's and Seacor's evaluated costs was due to Taurio's significantly higher overhead rate and its proposal to use a subcontractor for one of the labor categories, neither of which in our view reflects any inherent superiority in Taurio's approach.

Taurio raises several other issues which we also find to be without merit. Taurio argues that the Navy's method of evaluating all the cost proposals is questionable, since, in Taurio's view, the Navy reduced Taurio's own proposed subcontractor costs without adequate justification. Taurio has offered no evidence to support either its assertion that its own costs were reduced improperly or its contention that the other proposals therefore were evaluated improperly.

Taurio also questions whether Seacor plans to substitute personnel for those proposed in its offer, and challenges Seacor's ability to comply with the RFP requirement to be operational within 15 days after award. Taurio contends that Seacor's alleged failure to perform as required on these points casts doubt on the technical quality of Seacor's proposal. We disagree. There is no indication, and Taurio does not contend, that Seacor took exception to either requirement in its proposal; rather, Taurio is challenging Seacor's capability to perform as required. Taurio's contention thus concerns the Navy's determination that Seacor is a responsible offeror, a matter we generally do not review. Bid Protest Regulations, 4 C.F.R. § 21.3(f)(5) (1986); Security Systems, B-217203, Aug. 26, 1985, 85-2 CPD ¶ 229. Similarly, to the extent Taurio challenges Seacor's actual compliance with its contractual obligations, the issue involves a matter of contract administration which likewise is not for our review.^{3/} 4 C.F.R. § 21.3(f)(1); Security Systems, B-217203, supra.

Taurio requested that it be awarded its proposal preparation costs. Recovery of costs is allowable only where a protest is found to have merit. 31 U.S.C. § 3554(c)(1) (Supp. II 1984); 4 C.F.R. § 21.6(d). Since we have denied the protest, we also deny Taurio's claim for recovery of costs.


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General Counsel

^{3/} In any event, Taurio's challenge to Seacor's actual performance is premature since performance under the contract has been stayed pending a decision on Taurio's protest.